

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1974-01
Bill No.: HB 795
Subject: Motor Fuel; Mining and Oil and Gas Production; Motor Vehicles
Type: Original
Date: March 27, 2013

Bill Summary: This proposal would change the regulation of alternative fuels.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Up to \$1,070,546)	(Up to \$1,000,000)	(Up to \$1,000,000)
Total Estimated Net Effect on General Revenue Fund	(Up to \$1,070,546)	(Up to \$1,000,000)	(Up to \$1,000,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Missouri Alternative Fuel Infrastructure Tax Credit Fund	More than \$30,913	More than \$37,095	More than \$37,095
Highway	(More than \$496)	(More than \$596)	(More than \$596)
Total Estimated Net Effect on <u>Other</u> State Funds	More than \$30,417	More than \$36,499	More than \$36,499

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	(More than \$167 to Unknown)	(More than \$199 to Unknown)	(More than \$199 to Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 64.196, RSMo. - Building Codes:

This provision would prohibit local building regulations that conflict with state liquified petroleum gas installation regulations.

Oversight assumes this provision would have no fiscal impact.

Section 135.710, RSMo. - Alternative Fuels:

Officials from the **Department of Revenue (DOR)** note this proposal would make a number of changes in the regulation and taxation of alternative fuels and assume the Department and OA - ITSD (DOR) would need to make programming changes to various tax systems.

Administrative impact

DOR officials assume the Personal Tax Division would need one Revenue Processing Technician (\$25,884) per 4,000 credits claimed. The Corporate Tax Division would need one Revenue Processing Technician I (\$25,884) per 4,000 additional tax credit redemptions with CARES phone system. The DOR response also included overtime cost for various DOR staff to update forms and procedures.

ASSUMPTION (continued)

Oversight assumes DOR could absorb the responsibilities of this program with existing resources. If unanticipated costs are incurred or if multiple proposals are enacted which increase the DOR workload, DOR could request resources through the budget process.

Fiscal impact

DOR officials assume this proposal could reduce state revenues.

Oversight notes that according to the Tax Credit Analysis submitted by the Department of Natural Resources regarding this program, the Alternative Fuels tax credit program had the following activity:

	FY 2010	FY 2011	FY 2012
Amount Issued	\$0	\$87,925	\$91,365
Amount Redeemed	\$0	\$23,365	\$45,690

This former tax credit program sunset on August 28, 2012. **Oversight** assumes this part of the proposal would re - enact or extend the sunset on the current Alternative Fuels Credit program until August 28, 2019. In addition, the proposal would allow a credit for individuals who make 25 or more qualified conversions. This proposal also places a \$1 million annual cap on both credits.

Oversight will reflect a loss of revenue to the General Revenue Fund up to the new \$1 million annual cap.

Sections 137.010 and 137.100, RSMo. - Exemption from property taxes for Alternative or Renewable Energy:

Oversight has no information on the number of such installations or the assessed valuation currently assigned to those installations, and will indicate an unknown reduction in revenue for local governments.

Section 142.800, RSMo. - Additive Definition:

Oversight assumes this part of the proposal would not have a fiscal impact.

ASSUMPTION (continued)

Section 142.869, RSMo. - Alternative Fuel Decal:

DOR officials assume the Motor Vehicle Bureau would require 40 hours of overtime by a Management Analyst Specialist I to revise procedures, at a cost of \$1,206 in FY 2014.

DOR officials stated the Application for Special Fuel Decal (DOR-2300) would need to be revised, which would require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,206 in FY 2014. In addition, the Notice of Special Fuel Decal Requirement (Form-3021) would need to be revised which would require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,206 in FY 2014.

DOR officials stated the Department's web site would need to be updated which would require 10 hours of overtime for an Administrative Analyst III, at a cost of \$325 in FY 2014.

DOR officials assume the requirement in section 142.869 would only apply to sales made by licensed Missouri dealers. Currently, licensed dealers submit a monthly sales report although a specific alternative fuel vehicle is not identified. If the intent is for a licensed dealer to identify the sale of qualified alternative fuel vehicles on their monthly sales report, the Dealer Licensing Manual would need to be revised. This would require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,206 in FY 2014. The Dealer Monthly Sales Report (DOR-385) would also need to be revised to include the option to identify a motor vehicle as an alternative fuel vehicle. This would require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,206 in FY 2014.

Oversight assumes the revisions to the existing forms and changes to the procedure manual can be handled with existing resources.

Oversight also noted the DOR response included estimated increases in decal fees as follows:

	FY 2014 (10 months)	FY 2015 and 2016
Highway Fund	\$22,688	\$27,225
Cities	\$4,537	\$5,445
Counties	\$3,025	\$3,630
Total	<u>\$30,250</u>	<u>\$36,300</u>

ASSUMPTION (continued)

Section 142.869 RSMo. - Transfer to Missouri Alternative Fuel Infrastructure Tax Credit Fund:

This provision would require twenty percent of the proceeds from decal sales or collections of non - state road tax to be transferred to the newly created fund.

Oversight notes that the Department of Revenue annual report for the year ended June 30, 2012 included alternative fuel decal collections of \$149,175. As we noted above, the Department of Revenue included estimated decal fee increases totaling \$36,300 per year. Accordingly, Oversight assumes that decal fees and alternative fuel tax revenue would be greater than $(\$149,175 + \$36,300) = \$185,475$ per year and the required transfer would be greater than $(\$185,475 \times 20\%) = \$37,095$ per year.

<u>Entity</u>	<u>Percentage</u>	<u>FY 2015 and 2016</u>	<u>FY 2014 (10 months)</u>
Highway Fund	75	\$27,821	\$23,184
Cities	15	\$5,565	\$4,638
Counties	<u>10</u>	<u>\$3,709</u>	<u>\$3,091</u>
Total	100	\$37,095	\$30,913

Officials from the **City of Kansas City** stated that in FY 2012 the City purchased Special Fuel Decals at a cost of \$52,496. Purchasing the same number of decals for the same units at the new cost would be \$74,221, an increase of \$21,725 or 42% over the previous year.

Bill as a Whole

DOR officials assume this proposal would require form changes and computer programming changes to various tax systems. Taxation Division states the estimated cost is \$45,660 for 1,688 hours of programming. The Motor Vehicle Division provided an estimated cost of \$24,886 for 920 hours of programming to make changes to various tax systems.

Officials from the **Missouri Department of Transportation** deferred to the Department of Revenue for an estimate of the fiscal impact.

ASSUMPTION (continued)

Officials from the **City of St. Louis** assume the loss due to this proposal would not be great but could not provide an estimate.

Officials from the **Department of Agriculture**, the **Department of Economic Development**, the **Joint Committee on Administrative Rules**, and the **Office of State Treasurer** each assume there is no fiscal impact to their organization from this proposal.

Officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Revenue Reduction</u> - DOR			
Extension and re-enactment of alternative fuels tax credit Section 135.710	(Up to \$1,000,000)	(Up to \$1,000,000)	(Up to \$1,000,000)
<u>Cost</u> - DOR			
computer programming changes Various sections	(\$70,546)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Up to <u>\$1,070,546</u>)	(Up to <u>\$1,000,000</u>)	(Up to <u>\$1,000,000</u>)
HIGHWAY FUND			
<u>Additional revenue</u> - DOR			
Special fuel decal fee increase Section 142.869	\$22,688	\$27,225	\$27,225
<u>Transfer out</u> - Missouri Alternative Fuel Infrastructure Tax Credit Fund Section 142.869	(More than <u>\$23,184</u>)	(More than <u>\$27,821</u>)	(More than <u>\$27,821</u>)
ESTIMATED NET EFFECT ON HIGHWAY FUND	(More than <u>\$496</u>)	(More than <u>\$596</u>)	(More than <u>\$596</u>)

FISCAL IMPACT - State Government
(continued)

FY 2014
(10 Mo.)

FY 2015

FY 2016

**MISSOURI ALTERNATIVE FUEL
INFRASTRUCTURE TAX CREDIT
FUND**

Transfer In - Highway Fund and Local
Governments
Section 142.869

More than
\$30,913

More than
\$37,095

More than
\$37,095

**MISSOURI ALTERNATIVE FUEL
INFRASTRUCTURE TAX CREDIT
FUND**

More than
\$30,913

More than
\$37,095

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\$37,095

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL GOVERNMENTS			
<u>Additional revenue</u> - DOR			
Special fuel decal fee increase			
Section 142.869			
Cities	\$4,537	\$5,445	\$5,445
Counties	\$3,025	\$3,630	\$3,630
<u>Revenue reduction</u> - local governments			
Property tax exemption			
Section 137.100	(Unknown)	(Unknown)	(Unknown)
<u>Transfer out</u> - Missouri Alternative Fuel			
Infrastructure Tax Credit Fund			
Section 142.869			
Cities	(More than \$4,638)	(More than \$5,565)	(More than \$5,565)
Counties	(More than <u>\$3,091</u>)	(More than <u>\$3,709</u>)	(More than <u>\$3,709</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	(More than \$167 to <u>Unknown</u>)	(More than \$199 to <u>Unknown</u>)	(More than \$199 to <u>Unknown</u>)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal would make changes to the laws regarding alternative fuels. In its main provisions, the bill would:

- * Prohibit a local building ordinance from conflicting with state the liquefied petroleum gas installation regulations;
- * Re - authorize from January 1, 2014 to January 1, 2017 the tax credit for alternative fuel stations, and would authorize a tax credit of 10% of the alternative fuel conversion costs or \$2,500, whichever is less, for any applicant who makes 25 or more conversions in a year.

Alternative fuel conversions must have at least 70% by volume of ethanol, biodiesel, liquefied petroleum, autogas, hydrogen, or natural gas based fuels. The credit could be carried forward for up to two years or transferred, assigned or sold. The tax credit program would be capped at \$1 million annually;

- * Add stationary property used for generation, transportation, or storage of liquid and gaseous products including petroleum products, natural gas, propane, LP gas, solar and wind power equipment, water, and sewage to the definition of "real property" for property taxation purposes;
- * Exempt any equipment or property with a retail value of \$50,000 or less that is required for the use, transmission, generation or storage of alternative or renewable energy in an alternative energy operation or alternative fuels used for fleet, transportation, power generation, heat or another application from property taxation as long as the equipment, property, or installation is in working order;
- * Define "additive" as a substance designed to increase engine power or performance but not capable of propelling the vehicle without the primary fuel;
- * Add propane or autogas, compressed natural gas, and liquefied natural gas to the definition of "alternative fuel";

FISCAL DESCRIPTION (continued)

- * Increase the annual fee for an alternative fuel decal from \$75 to \$100 for a passenger vehicle, school bus, or a commercial vehicle with a gross vehicle weight of 18,000 pounds or less, from \$100 to \$125 for a licensed farm vehicle with a gross vehicle weight greater than 18,000 pounds but no more than 36,000 pounds, from \$150 to \$175 for a vehicle with a gross vehicle weight greater than 18,000 pounds but no more than 36,000 pounds and for a passenger-carrying vehicle, from \$250 to \$300 for a licensed farm vehicle with a gross vehicle weight greater than 36,000 pounds, from \$1,000 to \$1,500 for a vehicle with a gross vehicle weight greater than 36,000 pounds and from \$8 to \$12 per day for a temporary decal for a nonresident's vehicle;
- * Allow owners of alternative fuel vehicles registered outside Missouri to either purchase a valid temporary alternative fuel decal or remit the motor fuel tax at the time of the fuel purchase. Fuel providers would be required to remit road tax collected from non-state residents quarterly on forms provided by the Department of Revenue;
- * Require 80% of the revenue from the alternative fuel decal fees or collections of non-state road tax to be deposited in the Motor Fuel Tax Fund and 20% to be deposited into the Missouri Alternative Fuel Infrastructure Tax Credit Fund under the Department of Natural Resources;
- * Increase the amount a seller of alternative fuel decals can retain from 50 cents to \$2 for each decal fee timely remitted to the Department of Revenue;
- * Allow a qualified conversion seller or seller of a vehicle with an alternative fuel system in place to pay the road tax on the fuel instead of purchasing an alternative fuel decal;
- * Require all sales of alternative fuels to be recorded on an invoice with the decal number, motor vehicle license number, and number of gallons put into the vehicle. The invoices must be kept for a minimum of two years; and
- * Require all sales of alternative fuel-powered vehicles to be reported to the Department of Revenue annually.

FISCAL DESCRIPTION (continued)

The tax credit provisions would sunset six years after their effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of State Treasurer
Joint Committee on Administrative Rules
Department of Agriculture
Department of Economic Development
Department of Revenue
Department of Transportation
City of Kansas City
City of St. Louis



Ross Strobe
Acting Director
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